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RR RUEHCHI RUEHCN RUEHDT RUEHHM  
DE RUEHJA #1242/01 1780157  
ZNR UUUUU ZZH  
R 260157Z JUN 08  
FM AMEMBASSY JAKARTA  
TO RUEHC/SECSTATE WASHDC 9386  
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
RUEHBK/AMEMBASSY BANGKOK 8466  
RUEHBR/AMEMBASSY BRASILIA 0211  
RUEHSO/AMCONSUL SAO PAULO 0009  
RUEHRI/AMCONSUL RIO DE JANEIRO  
RUEHKO/AMEMBASSY TOKYO 2140  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RHMFIUU/DEPT OF ENERGY WASHINGTON DC  
RUEHRC/USDA FAS WASHDC  
RUEAIIA/CIA WASHDC  
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SENSITIVE  
SIPDIS

TREASURY FOR U/S MCCORMICK  
OES FOR A/S MCMURRAY  
DEPT FOR OES/ENRC, EAP/MTS, EAP/RSP  
USAID FOR ANE, EGAT  
BANGKOK FOR RDM/A  
NSC FOR CEQ CONNAUGHTON, VAN DYKE

E.O. 12958: N/A

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SUBJECT: G8 OPPORTUNITY FOR US-BRAZIL-INDONESIA BIOFUELS  
COLLABORATION

¶1. (SBU) Summary. President Lula of Brazil will be signing a biofuels Memorandum of Understanding (MOU) with Indonesia on July 12, according to Brazilian Embassy contacts at an informal discussion hosted by Ambassador Hume. Participants noted that the upcoming G8 Summit in Japan provides an opportune moment for Presidents Bush, Yudhoyono, and Lula to discuss the potential for collaboration on environmental issues, in particular biofuels, and pointed out that one initial step could be a trilateral U.S.-Brazil-Indonesia MOU on biofuels. They also agreed on the importance of the Clean Technology Fund (CTF) for a country like Indonesia. End Summary.

¶2. (SBU) Ambassador Hume hosted a meeting on June 23 to informally discuss possible areas for cooperation between the U.S., Indonesia, and Brazil on the environment, particularly biofuels. Participants included Edmundo Fujita, Ambassador of Brazil, Arifin Panigoro, Chairman of Indonesian power generation company MedcoEnergi, Jatna Supriatna, Executive Director of Conservation International-Indonesia, and Agus Sari, EcoSecurities Country Director.

¶3. (SBU) Ambassador Fujita confirmed that President Luiz Inacio Lula da Silva will sign a bilateral MOU on Biofuels when he visits Jakarta on July 12, following the July 7-9 G8 Summit. During his visit (as well as at the G8 Summit), President Lula's agenda will focus on climate change, environment, energy, agriculture, and sustainable development. Brazil's interest in cooperating with Indonesia lies in promoting efforts to identify common standards and codes for a global biofuels market and making ethanol and other biofuels an internationally-accepted commodity. Brazil views cooperation with Indonesia as strategically important in this effort and the MOU will serve as a framework for collaboration. Fujita also pointed specifically to Brazil's interest in helping Indonesia improve the efficiency of sugar production from sugarcane and to produce "clean" electricity from bagasse. He referenced potential research and training collaboration between Brazilian universities and research agencies, such as the Brazilian Agricultural Research Corporation (Embrapa), and Indonesian institutions.

¶4. (SBU) Arifin Panigoro told the participants that Indonesian President Yudhoyono and Finance Minister Sri Mulyani, in private conversations with him, have indicated a strong interest in pursuing

the CTF, in the context of clean energy generation and biofuels development, at the G8 Summit next month. Ambassador Fujita and the others agreed on the importance of the CTF for Indonesia. Panigoro also said that Japanese companies like Mitsubishi and Mitsui are very interested in biofuels and looking at infrastructure development opportunities in Indonesia. He cited strong Government of Japan interest in providing assistance towards biofuels production and supporting infrastructure. Although there are differences between biodiesel from palm oil (of which Indonesia is the world's largest producer) and ethanol from sugarcane, the attendees saw significant overlap and pointed to domestic Indonesian interest in increasing sugarcane and ethanol production.

¶15. (SBU) The participants felt that this conversation was particularly timely because of the upcoming G8 Summit environment agenda and President Lula's visit to Indonesia. As the U.S. increases its contribution to environmental programs in Indonesia and as Indonesia seeks alternative sources to meet its energy demands in a greener way, it is important that Indonesia can benefit from CTF financing. The participants agreed that collaboration between the three "Major Economies" of Indonesia, Brazil, and the U.S. on areas of common interest and agreement, such as biofuels development and clean technology, could set a positive example for international cooperation on climate change. Cooperation would also illustrate that there are alternatives to a preponderant focus on China and India in the climate change negotiations arena and, in fact, might influence China and India in a positive direction.

¶16. (SBU) The participants concluded that the G8 Summit provides an opportune moment for Presidents Bush, Yudhoyono, and Lula to discuss the potential for further cooperation on environmental issues,

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particularly biofuels. A potential next step could be a trilateral U.S.-Brazil-Indonesia MOU on biofuels like our current bilateral MOU with Brazil, which includes three main pillars of cooperation: 1) increasing bilateral research cooperation; 2) assisting third countries to develop domestic biofuels capacity; and 3) cooperating multilaterally on identifying common standards and codes for a global biofuels market. The \$1 million grant that the U.S. Department of Energy (DOE) has with Conservation International for work on biofuels in Brazil and Indonesia provides a further basis to increased collaboration under a trilateral MOU.

HUME